
STATUTORY INSTRUMENTS

1999 No. 594

VALUE ADDED TAX

The Value Added Tax (Finance) Order 1999

Approved by the House of Commons

<i>Made</i>	- - - -	<i>9th March 1999</i>
<i>Laid before the House of Commons</i>	- - - -	<i>9th March 1999</i>
<i>Coming into force on</i>	- -	<i>10th March 1999</i>

The Treasury, in exercise of the powers conferred on them by sections 31(2) and 96(9) of the Value Added Tax Act 1994⁽¹⁾ and of all other powers enabling them in that behalf, hereby make the following Order:

1. This Order may be cited as the Value Added Tax (Finance) Order 1999, and shall come into force on 10th March 1999 in respect of supplies made on or after that date.

2. Group 5 of Schedule 9 to the Value Added Tax Act 1994 shall be varied in accordance with articles 3 to 7 below.

3. For item 5 there shall be substituted—

“5. The provision of intermediary services in relation to any transaction comprised in item 1, 2, 3, 4 or 6 (whether or not any such transaction is finally concluded) by a person acting in an intermediary capacity.

5A. The underwriting of an issue within item 1 or any transaction within item 6.”

4. Item 7 shall be omitted.

5. After Note (1) there shall be inserted—

“(1A) Item 1 does not include a supply of services which is preparatory to the carrying out of a transaction falling within that item.”

6. After Note (2) there shall be inserted—

“(2A) This Group does not include a supply of services comprising the management of credit, other than such a supply made by the person granting the credit.

(2B) For the purposes of this Group a person makes “a supply of services comprising the management of credit” if he performs any one or more of the following in relation to a credit, a credit card, a chargecard or a similar payment card, operation—

(a) credit checking;

- (b) valuation;
- (c) authorisation services;
- (d) taking decisions relating to a grant or an application for a grant of credit;
- (e) creating and maintaining records relating to a grant or an application for a grant of credit on behalf of the credit provider; and
- (f) monitoring a creditor's payment record or dealing with overdue payments."

7. For Note (5) there shall be substituted—

“(5) For the purposes of item 5 “intermediary services” consist of bringing together, with a view to the provision of financial services—

- (a) persons who are or may be seeking to receive financial services, and
- (b) persons who provide financial services,

together with (in the case of financial services falling within item 1, 2, 3 or 4) the performance of work preparatory to the conclusion of contracts for the provision of those financial services, but do not include the supply of any market research, product design, advertising, promotional or similar services or the collection, collation and provision of information in connection with such activities.

(5A) For the purposes of item 5 a person is “acting in an intermediary capacity” wherever he is acting as an intermediary, or one of the intermediaries, between—

- (a) a person who provides financial services, and
- (b) a person who is or may be seeking to receive financial services,

unless the financial service in question is the grant of credit and he is also making supplies of services comprising the management of credit to the grantor, or prospective grantor, of the credit.

(5B) For the purposes of notes 5 and 5A “financial services” means the carrying out of any transaction falling within item 1, 2, 3, 4 or 6.”.

David Jamieson
Jim Dowd

Two of the Lords Commissioners of Her
Majesty's Treasury

9th March 1999

EXPLANATORY NOTE

(This note is not part of the Order)

This Order, which comes into force on 10th March 1999, amends Group 5 of Schedule 9 to the Value Added Tax Act 1994, to clarify the scope of the Group following recent litigation, redefining the exemptions for payment and credit transfer services and for intermediary services, and making it explicit that third party credit management is not exempt.

Articles 3 and 4 substitute new items 5 and 5A for items 5 and 7, which exempted the making of arrangements for any transaction within items 1, 2, 3, 4 or 6. The effect of the amendments is to substitute an exemption for intermediary services performed by a person acting in an intermediary capacity in relation to any transaction within those items. The exemption for underwriting services in relation to transactions in items 1 or 6 is retained.

Article 5 introduces a new Note (1A) which makes it clear that item 1, which exempts transactions in money, any security for money or any note or order for the payment of money, does not include services preparatory to the carrying out of any such transaction.

Article 6 introduces new Notes (2A) and (2B) which make it clear that the Group does not include the management of credit, except by the person granting the credit, and define the management of credit.

Article 7 substitutes new Notes (5), (5A) and (5B) for Note (5). New Note (5) defines “intermediary services” for the purposes of item 5. Note (5A) defines “acting in an intermediary capacity” for the purposes of item 5. Note (5B) defines “financial services” for the purposes of Notes (5A) and (5B).